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- ***Eroding tax bases, unfunded mandates, and declining state aids are threatening small governments' ability to finance needed services.***
- ***New ways of delivering public services can help county governments manage their fiscal crisis.***
- ***Small counties in Kansas have shown that intergovernmental cooperation can significantly improve their public health services and lower costs.***
- ***Networking with other large and small local governments has enabled Iowa counties to play a more active role in promoting economic development.***
- ***Resource sharing has made emergency dispatch centers possible for small counties in Northern Michigan.***
- ***Such innovations in service delivery processes could make county governments even more important in the future.***

issue: *Small Governments and Intergovernmental Collaboration*

by Tatchalerm Sudhipongpracha and Norman Walzer

Editor's Note: This is the second *Policy Profile* focusing on the increasingly difficult problems facing Illinois' small local governments, and especially small counties. The first one, entitled *Governments in Peril: Evolving Trends Make Life Harder for County Governments* published in September, 2010, described the problems county governments are facing and will face trying to meet their service obligations in the difficult economic times ahead. These studies are based on a longer report published by the Center for Governmental Studies at Northern Illinois University in collaboration with the Illinois Association of County Board Members and Commissioners, the Illinois Association of County Engineers, and the Illinois Farm Bureau.

Hundreds of small, local governments, and especially small, rural counties in Illinois, are facing long term economic stagnation, a situation which has only been exacerbated by the Great Recession.

Deteriorating economies are eroding local tax bases, making it difficult if not impossible to maintain their tax revenues, let alone increase such revenues. The result is that, even in the face of growing demands for services, many small counties face the need to reduce service levels.

An often suggested remedy involves a reorganization of service delivery, sometimes with consolidation of governments, which is likely to be difficult except under dire situations. *But there may be other alternatives.*

Some counties have found ways to deliver services at lower costs using technology or collaborative arrangements among governments. This *Policy Profiles* examines socioeconomic trends in small Illinois counties (population under 15,000) and then explores collaborative approaches used in Illinois and other states to continue services even with shrinking populations and tax bases.

How are conditions changing in Illinois counties?

Illinois' 102 counties are crucial to delivery of public services, but, statewide, more than 25 percent have 15,000 or fewer residents with one county estimated as having fewer than 5,000 residents in 2009. Population forecasts suggest continued population declines in some of these counties.

A special concern in Illinois is that the governmental structures in many, if not most, of these counties are designed for a larger population of past years. Like all counties, sparsely populated counties in Illinois, have a system of multiple governments, including municipalities, townships, school districts, and special districts. A total of 794 units of government existed in 25 small counties in 2007. On average, in these small counties, there is a separate, independent unit of government for every 400 – 450 people. Population declines were usually not accompanied by reductions in the numbers or complexity of governments which means that multiple governments compete for taxes and revenues using the same tax base, which in some instances has shrunk during the recession.

Delays or declines in state revenue-sharing or grants-in-aid further complicate the current fiscal dilemma of these counties, but poor economic conditions are clearly the main consideration. While budgetary adjustments, including revenue-raising options, can work temporarily, the long-term effects are such that, *at some point, county governments could face a serious retrenchment as discussed in the next section.*

What are the fiscal impacts of these trends?

Counties are responsible for a broad range of responsibilities essential to a high quality of life for residents. Providing these services during a major recession is especially difficult in small counties with limited staff and expertise. Consequently, counties struggle to maintain the quality and quantity of public services.

The deterioration of the counties' primary tax base – the value of local real estate – poses a major problem. Not only does it reduce the ability to raise needed revenue, for current services, but it also seriously complicates critically needed efforts to finance infrastructure, such as deteriorating road and bridge conditions.[1]

The need to finance state and federal mandates also poses increasing problems for counties. In a recent Illinois survey, 94.9 percent of responding county board chairs, including those from counties with fewer than 15,000 residents, reported serious concerns with unfunded federal and state mandates, especially increased benefits for county employees. Mandates regarding the care and placement of juvenile offenders, and the changes in the upper age limit for classifying juvenile offenders from 17 to 18 years of age, were also listed.

While larger, and more prosperous counties have more revenue options, small counties, especially in economically depressed southern Illinois, have struggled with fiscal issues for many years. Some of these counties now must take cost-cutting measures to further trim "bare-bones" budgets. **Table 1** provides two examples of the kinds of action *now being taken by Illinois' small counties to keep their budgets in balance.*

What are small counties doing to solve their fiscal problems?

Continued erosion of their tax base and current economic conditions have triggered a set of budgetary responses such as borrowing, "postponing the payment of bills until next year," and cutting back on services. Counties have looked for ways to increase local economic development by attracting businesses to the county. However, competing with larger counties with population growth has been difficult in many instances, especially when a small county can offer limited fiscal incentives.

Cost-cutting tactics by local governments can hide a flaw in the conventional approach to fiscal crisis management. Traditional budget cutting focuses entirely on what can be cut (or hidden) while ignoring what is kept.[2] It does not raise the question of how to maximize the value of tax dollars collected. New ways of delivering public services can help county governments manage the current fiscal crisis and find opportunities to maintain and enhance public service delivery.

table*one* How Bad is the Crisis Facing Small Counties?

The following two cases demonstrate the depth of the financial crisis facing small counties

Case 1: Massac County (population 14,970)
Cost-cutting measures instituted by the County Board include the sheriff's department and detention office with up to 10 positions in these two small departments facing possible elimination.

Case 2: Alexander County (population 7,914)
One of the poorest counties in Illinois, Alexander County may have to eliminate 50 percent of the court staff and three-fourths of the sheriff's department in fiscal year 2011. The county has already returned patrol cars to the local bank for nonpayment and also had their inmates turned away from the Tri-County Detention Center due to the county's inability to pay for maintenance of prisoners. An Alexander County board member noted, "We will be a lawless society" because the current budget problem "basically has neutered the sheriff's department."

On a more positive note, technological advancements can assist in both the provision and management of service delivery. Likewise, the fact that many local elected officials face similar fiscal problems, but to different degrees, means that they are more interested in considering new and innovative approaches to service delivery, revenue-raising arrangements, and tax base enhancement approaches. Higher focus on regional approaches and collaboration with the private sector, for instance, can bring new perspectives to service delivery.[3]

While merging governmental units or functions and creating new delivery arrangements are sometimes suggested during times of fiscal crisis, this *Policy Profile* examines a menu of other innovative practices that local government units have embraced to enhance the quality of public service delivery by cooperating and collaborating in new ways.

What other approaches exist?

The relatively large number of local governments in Illinois offers options for cost-savings by reorganizing the delivery process. Public issues once viewed as internal to a governmental unit now transcend political and geographical boundaries (e.g., public safety, environmental protection, broadband access). Nevertheless, the growing need to find ways to control costs while maintaining quality in public services has caused local government officials to turn to alternative management approaches including new public and private resources and intergovernmental agreements.[4]

Contracting and Privatization. Local governments have experimented with contracting and privatization in many ways. In its simplest form, privatization involves transferring functional responsibility for public services from public to private agencies, usually for a specific period of time, while the public entity retains ultimate responsibility. In some cases, privatization can reduce costs to the public agency even while it improves services by utilizing the expertise of businesses or groups that specialize in providing such services.

Notwithstanding their many positive features, contracting and privatization have several caveats and public officials use a variety of approaches to address potential problems. For instance, a privatization agreement could lead to a loss of control over local government equipment. Specifically, if a local government decides to sell equipment to a private business as part of a contract, the government loses leverage if the contractor does not meet the agreed-upon performance standards.

To overcome this issue, local governments can enter into an agreement with a private firm that permits the governments to maintain ownership of equipment. Or, local governments could follow the example of the village of Bourbonnais, IL (pop. 25,671) in managing its contract with a wastewater management company. Bourbonnais officials have an amortization schedule based on the life of the equipment owned by the village government. When the contract expires, the village can purchase the equipment back at an amount stipulated in the amortization schedule.[5] This approach allows the village to maintain some investment in the equipment.

Intergovernmental Agreements. Another management method frequently used by governments is to cooperate with other local governments, or sometimes with state or federal government offices. Many studies document how intergovernmental collaboration presents a solid alternative to privatization or consolidation.

Where privatization is not feasible due to market conditions and other technical issues, cooperating or contracting with other local governments can enable residents to continue receiving high-quality public services even if through other governmental jurisdictions. These approaches enable local governments to share resources and deliver services often at lower cost, or may represent the only way in which the service can be provided.

There is no single recipe for intergovernmental agreements. Many scholarly works interchangeably use *communication, cooperation, coordination, collaboration, and consolidation* to describe intergovernmental arrangements. In practice, the terms differ in the intensity of relationships among local government organizations. In ranking the intensity of intergovernmental relations, collaboration is strongest short of consolidation, followed by cooperation and coordination.[6]

Two examples of such intergovernmental agreements between Illinois counties are provided in **Table 2 on the next page.**

What works in other states?

Following are several examples of innovative approaches used to deliver services a lower cost through intergovernmental arrangements in other states.

Interlocal Public Health Cooperation in Kansas

Kansas is a decentralized state with 3,931 units of government and 67 counties with home rule authority in many functional

tabletwo Examples of Intergovernmental Cooperation

Set forth here are two examples of successful intergovernmental cooperation by adjacent Illinois counties

Example 1: McDonough County (population 32,770) and Henderson County (population 7,354)
These two counties have shared a county engineer since 1988. The McDonough County engineer spends one day per week in Henderson County and maintains access to personnel in both counties using a cellular phone. The Road and Bridge Committee in each county monitors the agreement. All personnel costs for the engineer are shared. The agreement saves each county in annual personnel and related costs. The success of this agreement has expanded to further cooperative efforts between the two counties to share personnel, equipment, and technical expertise on large projects when the need arises.

Example 2: Kane County (population 511,892) and McHenry County (population 320,961
These counties work together in a jail-swap plan allowing each county to house surplus prisoners from the other county. Before entering into this agreement, McHenry County faced a shortage of space for juvenile offenders and had a surplus of empty cells for adult prisoners. In Kane County, county government officials had the opposite problem—a shortage of adult prison space and an overabundance of cells for juvenile prisoners. The fiscal implications of the agreement for McHenry County have been substantial. The need to build additional correctional facilities has been deferred and a tax increase was avoided.

areas, one of which is the maintenance and provision of local public health services. Many county governments–68.6 percent–are sparsely populated (See **Table 3**). Compared to Illinois, Michigan, and Iowa, a higher percentage of counties in Kansas have fewer than 15,000 residents.

In 2008, the National Association of City and County Health Officials (NACCHO) evaluated existing local health services and capacities in several Kansas counties and identified capacity gaps among the local health departments.[7] All counties lacked some capacity in data collection and analysis, evaluation and program planning, policy and legislative process. Most counties had difficulties with community health needs assessment and health improvement plans, communication, and internal strategic planning.

In response, several Kansas counties used regional cooperative arrangements to address each gap in a regional planning process.[8] For instance, the northeastern counties cooperated to create a plan to gather and integrate available local data (e.g., childhood injuries data) and communicate the plan to stakeholders. In the north central region, counties created a regional communication plan as an education tool to provide an accurate and credible source of information to improve local health services.

The regional cooperation allows sharing of resources and functions to build capacity for local public health services. The regional cooperatives are responsible for specific functions. For example, while the regional cooperative provides the overall population health and statistical analysis functions, each participating county is

tablethree Number of Counties and Government Units

	Number of Counties (2009)			Number of Government Units		
State	Total	Small Counties[1]	Small Counties as % of All Counties	Total	General Purpose[2]	Special Purpose[3]
Illinois	102	27	26.5%	6,694	4,161	2,833
Michigan	83	15	18.1%	2,893	1,035	1,858
Kansas	105	72	68.6%	3,931	1,847	2,084
Iowa	99	45	45.5%	1,954	908	1,046

Notes: [1]Counties with fewer than 15,000 residents
[2]General purpose governments include counties, cities, villages, towns, and townships.
[3]Special purpose governments include special districts, school districts, and public school systems

Source: US Census of Government (2007) responsible for direct health services, such as clinical care.

Examining one of the services provided by the public health networks helps to understand the Kansas cooperative model. In 2002, when federal dollars were allocated to develop the local public health preparedness capacity to combat against bio-terrorism, 18 percent of the local funding was set aside to finance the regional incentive program. The Kansas Association of Counties (KAC), the Kansas Association of Local Health Departments (KALHD), and the Kansas Department of Health and Environment (KDHE) developed three "rules of engagement" for this initiative: (1) a local public health network must consist of at least three contiguous counties; (2) the decision-making process includes equal representation by all participating counties; and (3) the network is administered through formal inter-local agreements approved by the participating county commissions.

Regional cooperation facilitates the national accreditation process. The national accreditation of state and local health departments is based on the "Operational Definition of a Functioning Local Health Department"—a set of standards that NACCHO used to identify the capacity gap in Kansas county health departments. Hence, accreditation could be more cumbersome if each county provided all public health services individually.

The Kansas cooperative model has two important characteristics. First, the small rural counties that represent a majority of counties in Kansas share the same needs and vulnerabilities. Each county's health department must fulfill specific functional responsibilities, yet the lack of financial resources makes it difficult for small county governments to provide high-quality services. Sharing resources and expertise through regional cooperation helps address this problem.

Second, the Kansas local public health network is organized through formal inter-local contracts in which only specific functions are performed by the regional cooperative. Participating counties still retain much decision-making autonomy. This model demonstrates how economies of scale in sharing resources can be utilized without denying individual counties the flexibility they need to serve their residents.

Economic Development Networks in Iowa

Since 1965, Iowa has made widespread use of a cooperative model that allows agencies and local governments to enter into interlocal agreements for economic development purposes.[9] These agreements formalize collaboration and create an environment for effective regional and countywide economic development. Small and large communities cooperate and jointly provide economic development services.

A survey of 35 agreements in economic development created in Iowa between 1993 and 2004 revealed that certain structures are more effective than others and that local conditions affect how structures are formulated.[10] Among the surveyed programs, the Delaware County economic development alliance shows how intergovernmental cooperation works. The alliance including one community with more than 5,000 residents and 11 communities with fewer than 1,000 residents, emerged during the economic crisis in the early 1980's. Participating municipalities in the county agreed to fund a paid director who oversees the county-wide development commission.

In addition to the director position, the alliance is administered by a management board of seven commissioners, four of whom represent chambers of commerce, not-for-profit economic development groups, banks, and local business groups. Three other representatives are from: (1) the large community, (2) county administration, and (3) one representative from the small communities. The commissioners meet monthly and maintain regular contact. The director and commissioners facilitate countywide economic development programs and work to resolve conflicts among participating communities.

In addition to facilitation and conflict resolution, the commission also is the point of contact for businesses to coordinate local economic activities and to publicize each community's economic opportunities. For example, at a participating community's request, the commission may advertise vacant properties and real estate. Small communities definitely benefit from contracts with the Delaware County economic development alliance. They can perform important development functions that they otherwise would not be able to afford.

No single formula exists for a functioning economic development network. The Delaware County case, however, shows that network organizational structure, shared needs and vulnerabilities, and frequent communication are essential. The decision-making process is also a vital element of a functioning interlocal program. The equal representation structure of Delaware County's economic development commission addresses fears and concerns of smaller communities by protecting them against the special interests of a larger community.

Emergency Dispatch Centers in Michigan

Located in the northern part of Michigan, the Upper Peninsula (UP) covers nearly one-fourth of Michigan's land mass, but contains only 3 percent of the state's population. Among the 15 counties in the region, 8 have fewer than 15,000 residents.[11] Low population density and vast land area make it more difficult for county governments in the UP to provide high quality public services while maintaining fiscal stability. Specific functional responsibilities such as public safety and emergency response services, are labor-intensive and expensive. Sharing resources (e.g. equipment and personnel) helps reduce the cost of these services.

Currently, the UP has two emergency service networks: the Negaunee Regional Dispatch Center and the Chippewa County Central Dispatch Service.

The Negaunee Regional Dispatch Center started in 1995 through collaboration between the Michigan State Police and several UP counties. Participating jurisdictions enter into a formal agreement with the dispatch center but can terminate the contract at any time. The Negaunee Regional Dispatch Center provides dispatch services to each participating county's police, fire, and EMS departments. The program is financed by the Michigan State Police with a fee paid by each county based on population size. Furthermore, each member county has one representative on the advisory board.

By not performing dispatch services in-house, participating communities have reduced the cost of operating the emergency response system. The state-sponsored dispatch service is, however, not without drawbacks. The Michigan fiscal crisis and a centralization policy implemented by the state government in Lansing increased the participation fees and eliminated the network advisory board. These changes caused counties to reconsider their participation in the Negaunee Regional Dispatch Center.

At the eastern end of the U P, the Chippewa County Central Dispatch unit offers an alternative to the state-sanctioned dispatch program. The eastern counties—Chippewa, Luce, and Mackinac—have a diversity of residents and lifestyles: the port cities of St. Ignace and Sault St. Marie, the tourist Mecca of Mackinac Island, and numerous isolated rural communities. The rural and seasonal population composition and a vast land area (3,486 square miles) challenge the emergency response service. Luce and Mackinac counties were members of the Negaunee Regional Dispatch Network. But due to an increase in the cost of contracting with the state-sponsored dispatch network, the two counties left the regional center and joined the Chippewa central dispatch unit. For instance, the decision by Mackinac County to contract with Chippewa County in 2008 was expected to save the county as much as $107,000 in the next five fiscal years.[12]

What makes the Chippewa County Central Dispatch Service less costly? The Negaunee Regional Dispatch Center uses licensed microwave-based solutions for data support which can cost up to $10,000 per link. The data support system is necessary to accommodate call volumes from participating counties. Chippewa County, by contrast, uses a wireless Ethernet bridge to connect to the Michigan Public Safety Communications System (MPSCS) which can handle up to 2,000 calls in 24 hours.

Competition between the state program and county governments to provide cost-effective and high-quality public services offers a menu of innovative options for small rural communities struggling with fiscal conditions. Furthermore, technology advancements can also help reduce costs and enhance the service quality. The two cases from Michigan's Upper Peninsula provide clear evidence of the merits of competition and use of information technology.

What are the implications for Illinois?

There is little doubt that county governments in Illinois will become relatively more important in the future as small municipalities with shrinking populations seek to collaborate with county governments on essential services. Likewise, services transcending municipal borders will require more collaboration among units of government. Counties are well-positioned to assist with this coordination.

During the next several years, pending fiscal issues will pressure small counties, especially, to find new revenues and ways to deliver services at less cost. Technology offers opportunities to deliver services over a wider area with fewer personnel. Likewise, counties are already finding innovative ways to share specialized resources to save costs. These efforts will continue.

An important message is that successful management approaches will vary among county arrangements but counties must be innovative in deciding which services to provide and in what ways. The examples provided in this Policy Profile can encourage and guide this process. Several principles evolved from the discussion.

A little goes a long way. Innovative management techniques need not involve radical changes in local government operations. Small, incremental changes in the way local governments provide public services can add up and result in relatively large cost savings in the future.

Networks and competition still matter. Public officials must stay in contact. When a unique problem arises in one jurisdiction, public officials can turn to peers in other jurisdictions for help. These informal relations are crucial to the innovation and diffusion of management techniques. Further, competition among networks can also provide a rich menu of alternative management programs.

Technological savvy helps save costs. More effective use of technology can help local governments reduce costs. Information and communication technologies, especially, can enhance the cost-effectiveness and quality of certain public services. Thus, county personnel must stay current on advances in technology and be willing to evaluate how they can fit within a specific local scenario. In some instances, this expertise may be contained in the county but more often will be shared among participating counties through a collaborative arrangement such as sharing personnel.

The upshot of these examples of intergovernmental cooperative arrangements is that as financial conditions, especially in small counties, tighten, there are alternatives. Instead of consolidation, technology and resource-sharing among governments offer ways to reduce costs and perhaps maintain an even higher quality of services.

Endnotes

[1] Sudhipongpracha, Tatchalerm, Norman Walzer, and Ruth Ann Tobias, "Governments in Peril: Evolving Trends Make Life Harder for County Governments," Policy Profiles published by the Center for Governmental Studies at Northern Illinois University (September 2010).

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[4] Agranoff, Robert and Michael McGuire, "Inside the Matrix: Integrating the Paradigms of Intergovernmental and Network Management," International Journal of Public Administration, Vo. 26, Issue 12: pp. 1401-1422 (2002).

[5] Johnson, Robin, "Privatization of Government Services: Challenges and Issues for Small Communities," Rural Research Report published by the Illinois Institute for Rural Affairs at Western Illinois University 9 (7) (Summer 1998).

[6] Collaboration means having a high-intensity relationship with regard to integration, sharing mentality, and organizational and management complexity. See Heidi, C.D. and M. Busi, "Supply Chain Collaboration: What does it mean for logistics?," presented at the 14th annual NOFOMA Conference, June 13-14, 2002, Trondheim.

[7] Kansas Association of Counties and Kansas Association of Local Health Departments, "Facilitated Conversation on Local Public Health in Kansas," The Summit on Local Public Health in Kansas (September 24-25, 2008).

[8] Telephone interview with Dennis Kriesel, Senior Policy Analyst, Kansas Association of County Officials (March 25, 2010).

[9] Thurmaier, Kurt and Yu-Che Chen, "Element of Successful Interlocal Agreements: Am Iowa Case Study," paper presented at the "Creating Collaborative Communities" conference on interlocal cooperation and resource sharing, October 31-November 1, Wayne State University, Detroit, Michigan (2005).

[10] Ashbacher, Dawn, "Managing Effective Interlocal Economic Development Networks," A 28E Management Report prepared for the Department of Administrative Services, State of Iowa. Ames, IA: Iowa State University (2005).

[11] According to the 2009 U.S. Census data, the population estimates for these 8 counties are as follows: Algers County (population 9,286), Baraga County (population 8,604), Iron County (population 11,633), Keweenaw (population 2,305), Luce County (population 6,518), Mackinac County (population 10,591), Ontonagon County (population 6,569), and Schoolcraft County (population 8,127).

[12] Schlehuber, Ryan, "Dispatch Board Chooses Chippewa County 911 Service," The St. Ignace News (April 17, 2008). Available at http://www.stignacenews.com/news/2008-04-17/front_page/001.html.

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